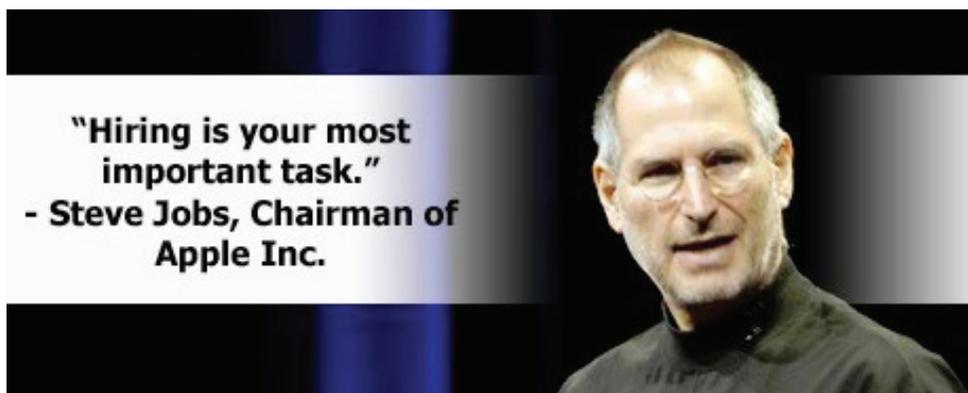
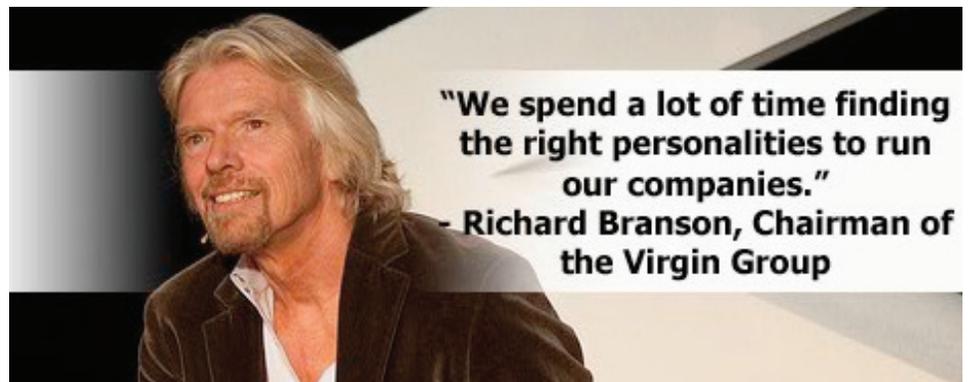


# AESC's 2011 Senior Executive Recruitment Survey

## *The Client Speaks*



**Corporate  
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Expertise in Senior Executive Recruitment, Talent & Trends

# 2011 SENIOR EXECUTIVE RECRUITMENT SURVEY

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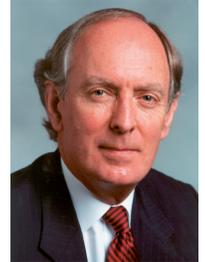
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# INTRODUCTION

## From the President of the AESC, Peter Felix

In the summer of 2011 the AESC conducted its bi-annual survey of the client community to gauge satisfaction levels and to receive general feedback on the retained executive search profession.

This year's survey has dug deeper in an effort to better understand the forces at work within senior executive recruitment, especially those of in-house executive search and social media, and to supplement the findings of the Executive Search in Transition report, published in November 2010.



The survey received 222 responses worldwide from executives in an HR or internal recruiting function within an organization, or involved in selecting or working with executive search firms. An added benefit of the survey was the AESC's US \$222 donation to UNICEF for every valid response received.

The responses came from the Americas (43%), EMEA (29%), Asia/Pacific (17%) and other (11%).

53% of responses came from corporations with revenues in excess of \$1 billion. The remainder came from smaller organizations.

The report confirms a number of trends that have developed over the past 10 years and were highlighted in the Executive Search in Transition report. There is little doubt that these trends have significant implications for retained executive search firms in terms of product offering, market positioning and perceived added value.

I hope that you will find the report of interest and look forward to your comments. Please email me on [pmf@aesc.org](mailto:pmf@aesc.org).

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## OVERVIEW

During the past decade a number of developments have provided pause for thought and reflection within the retained executive search profession. Amongst others these include:

- The development of internal recruiting functions
- The rise of social media
- Pressure by clients on the terms and conditions of doing business
- The challenge of introducing retained search into emerging markets
- Opportunities to provide leadership consulting services

While in general the survey endorses the on-going need and perceived value of retained search it is clear that the range and terms within which searches are being awarded are both narrowing and tightening such that the dependable business flows of the past have in some cases been dis-intermediated, especially at the lower end of the market.

A number of indicators from the survey suggest that a review of the positioning and offering of retained search may now be in order for many firms since traditional approaches are being tested by the market and are creating vulnerability.

On the other hand the overall growth of the worldwide economy has created demand in many new markets and the scarcity of executive talent to meet client needs continues. Thus, at the time of this report the global executive search industry has recovered from its dramatic decline in 2009, following the financial crisis, and is once again reaching all time revenue highs.

## THE IN-HOUSE EXECUTIVE SEARCH FUNCTION

68% of organizations in our survey had an in-house function, regardless of the size of organization. 32% did not.

This is a large number and while in some cases the definition of an in-house function may not mean a completely separate executive search team nevertheless the fact that a recruiting department exists, which is conducting some senior assignments, is of significance.

The growth of this activity has gained momentum in recent years – in our last four surveys the percent of in-house functions reported from smaller samples was 17% in 2005, 56% in 2006, 72% in 2007, and 67% in 2009 - levelling out at 68% in 2011.

The workload given to these functions has also increased as their competence and success rates have grown.

Respondents indicated a broad range of satisfaction with confidentiality, exclusivity (dedication to the client) and, not surprisingly, the cost/fee structure of in-house search.

They were moderately satisfied when it came to evaluative criteria such as a diverse, broad and high quality slate of candidates, objective assessment and consulting advice, professional process, speed to first slate, and market intelligence.

However, they were less satisfied, and less likely to use in-house search for, cross border assignments (inadequate geographic reach), confidential search, and board recruiting.

The majority (80%) were most likely to use in-house for executive searches with a base salary of US\$100,000-\$199,999 or equivalent.

46% expect the demand for in-house search to increase in 2011 over 2010, mainly due to increased needs within their organization. 38% expect levels to stay the same as 2010 and only 16% predict a decrease in in-house search activity in 2011, due to a lower level of internal demand.

68% of in-house teams use online services such as LinkedIn and TheLadders to post active searches. However, within this group, most (38%) reported posting less than 25% of their searches online.

## CONTINGENCY SEARCH

Survey respondents replied clearly that while contingency methods may be appropriate at some levels and for certain assignments, in the higher levels of executive appointments and for more challenging tasks, either in-house or retained search are preferred.

53% of respondents considered it “likely” that they might use contingency in the \$100-199,000 salary range but in the \$200-300,000 range 57% considered it to be “not likely” and this unfavorable rating increased to 72% above \$300,000.

For more challenging tasks the survey revealed “not likely” responses regarding the use of contingency in the following categories:

	Not likely
Leadership consulting	77%
Board recruiting	76%
Confidential searches	68%
Cross border search	60%
Market intelligence	52%

In terms of satisfaction with performance, contingency search scored around 50% satisfied in four categories:

	Satisfied
Cost/fee structure	54%
Speed to first slate	49%
Geographic reach	49%
Professional process	46%

But in six other categories respondents were not satisfied with the service received:

	Not Satisfied
Objective assessment	63%
Diverse slate	61%
Broad slate	51%
Market intelligence	54%
Dedication to client	53%
High quality slate	51%

Overall respondents saw strengths in contingency recruiting when timelines were limited and cost was an issue. For more complicated or higher level tasks where a firm outcome is required, then more “high touch” forms of recruiting are deemed to be appropriate.

## RETAINED EXECUTIVE SEARCH

Of our respondents 84% use retained executive search on a regular basis. 61% expect their usage to stay the same in 2011 as in 2010.

In terms of criteria for using executive search there is a clear preference for retained search at higher salary levels. Over \$200,000 in compensation, 44% indicated “highly likely to use” whereas over \$300,000 this rose to 58%. Added to the “likely to use” category (highly likely plus likely ratings), then the \$200,000 plus range attracted 78%, and over \$300,000 attracted 83%.

In the \$100,000-199,000 range 60% still see a role for retained search but 40% consider it highly unlikely that they would use the retainer model at this level.

Other uses of retained search where the “highly likely” to use and “likely” to use categories exceeded 60% were:

	Highly Likely and Likely	Unlikely
Confidential searches	85% (54%+31%)	15%
Cross border search	82% (40%+42%)	18%
Seeking market intelligence	79% (25%+54%)	21%
Board recruiting	77% (53%+24%)	23%
Limited timeline	73% (29%+44%)	27%
Range of candidates	67% (21%+46%)	33%
Leadership consulting	63% (26%+37%)	37%

On the contrary if there is a limited budget then 60% indicated that retained search was unlikely to be an option.

### **Satisfaction:**

In all categories of choice retained search reached the strongest percentages for “satisfied” and relatively low percentages for “not satisfied”. When added together the “highly satisfied” and “satisfied” categories reached exceptionally high levels as follows:

	Highly Satisfied and Satisfied
Confidentiality	99% (46%+53%)
Quality slate	95% (33%+62%)
Assessment & consulting advice	95% (36%+59%)
Geographic reach	92% (36%+56%)
High professionalism	91% (34%+57%)
Broad slate of candidates	89% (24%+65%)
Dedication to client	86% (28%+58%)
Market Intelligence	84% (20%+64%)
Speed to first slate	82% (19%+63%)
Diverse slate –female/ethnic	80% (20%+60%)
Cost/fee structure	55% (5%+ 50%)

## RETAINED EXECUTIVE SEARCH *continued...*

The dichotomy between high satisfaction and only lukewarm support for the fee levels is no doubt encountered in all professional service environments.

### ***The value proposition:***

In keeping with the satisfaction levels indicated above it is to be expected that the components of the retained search proposition should be valued. Of the options presented in the survey very high marks were given to all categories:

	Highly Valuable	Valuable	Total
Confidentiality	83%	15%	98%
Exclusivity	50%	46%	96%
Commitment	85%	12%	97%
Transparency	68%	30%	98%
Integrity of market message	69%	30%	99%
Image of intent to candidates	70%	29%	99%
Professional process	72%	26%	98%
One contact point with consultant	56%	41%	97%
Preparation and research	57%	40%	97%

### ***Working relationships:***

While respondents indicated a range of practice in their relationship with retained search firms the largest percentage, 36%, work with multiple firms but only on a specific transaction basis. The same is true of clients that work with only one firm (21%).

Longer term working partnerships are nevertheless evident at 18% for multiple firms and 15% for single firms.

This tendency to employ search consultants on an “as needed” basis is a historical feature of the market but can often result in short-termism and an inadequate level of investment in the relationship on both sides.

## RETAINED EXECUTIVE SEARCH *continued...*

### **Leadership consulting services:**

Although some aspects of leadership consulting have been practiced by retained firms for considerable periods of time there is still a lack of clarity in the market as to which services are sought and most valued.

In answering the question “*Would you use a retained executive search firm for specific leadership consulting services?*” the following answers were given:

	Yes	No
Management assessment	59%	41%
Board advisory	52%	48%
Senior executive coaching	48%	52%
Succession planning	36%	64%
Talent management strategy	31%	69%

Thus while some specific services in this field have become accepted over time there is still some resistance to retained firms offering broader strategic consulting advice on a formal basis.

This is reflective of discussion and experimentation in the executive search profession as to the level of diversification which can be successfully achieved while still providing core retained search services. As leadership consulting services are increasingly offered by executive search firms, so some of this resistance can be expected to change.

### **Selection of a retained executive search firm:**

Respondents were offered a range of criteria ranked from 1 to 7, with 1 being the most important. Taking 1 and 2 together the following ranking emerged in terms of importance:

	2011 (ranked 1-2 “most important”)
Firm’s reputation	71%
Consultant’s reputation	70%
Firm’s specialization	66%
Consultant’s specialization	65%
Pricing model	53%
Off-limits provisions	49%
Diversity track record	30%

In a professional service environment where personal service is fundamental to success it is no surprise that firm and consultant reputation should often be synonymous.

## RETAINED EXECUTIVE SEARCH *continued...*

### **Metrics:**

The use of metrics to measure the success of retained search has become more common but is by no means universal. Thus out of a small sample of responses 57% replied that they do use metrics and 43% that they do not.

Of metrics in use the following were rated as highly important or important:

Time to first slate	100%	(42%+58%)
Time to complete	100%	(60%+40%)
Overall performance of candidate	97%	(78%+19%)
Diverse Slate	89%	(31%+58%)
Length of tenure of candidate	86%	(39%+47%)
Cost per hire	81%	(33%+48%)

### **Satisfaction with relationships:**

In broad terms respondents indicated an overall level of satisfaction with executive search firm relationships and understood the need for a close working relationship, and for a retained, exclusive arrangement. Of five propositions relating to the nature of the relationship the overwhelming majority were positive:

	Strongly agree	Agree	Total
Successful executive search depends upon close co-operation between HR and search firm	57%	41%	98%
I understand the need for an exclusive relationship built around a retainer agreement	34%	60%	94%
Overall I am happy with my relationships with retained executive search firms	15%	74%	89%
I want to build longer term relationships with executive search firms	28%	52%	80%
I see the value of the AESC as a seal of quality	19%	59%	78%

These answers should be encouraging to the retained search profession but give little room for complacency, especially since only a small percentage of respondents highly agreed with these evaluative criteria. The answers also confirm that the AESC is not yet perceived as an established and indispensable guarantee of quality or professional standards although awareness and support for its principles does seem to be increasing.

## RETAINED EXECUTIVE SEARCH *continued...*

### **Reputation of executive search firms:**

Respondents to the survey indicated the following general evaluations of the reputation of executive search firms:

Highly positive	9%
Positive	60%
Neutral	27%
Negative	4%

The reputation of retained executive search will depend inevitably upon the experiences that organizations and individual executives have had with executive search firms either as clients or candidates. Since there is a very large number of such firms and no accreditation of quality, except that of AESC membership, then the reputation of the profession is very dependent upon random exposure to a wide range of varying standards. Unless and until some form of barrier to entry is introduced for practicing consultants then this is unlikely to change.

### **How could search firms serve their clients better?**

The responses to this question indicated a clear desire to be better informed during the search process, no doubt in order to provide comfort that a high cost professional service is being properly and efficiently performed. Answers were:

Regular status updates	57%
More transparency of process	54%
More metrics	44%
More services (leadership consulting etc)	33%

Other suggestions included:

- *Increase in minorities to conduct searches*
- *Need to clarify indirect expenses: perceived as a black box and increasingly difficult to explain to internal customers*
- *Assessment of personality and cultural fit*
- *Better pricing model, especially for volume*
- *Putting more "skin in the game" with the client*
- *Publishing performance against industry benchmarks*

## RETAINED EXECUTIVE SEARCH *continued...*

### ***Negotiation of terms of contract and pricing models:***

Contrary to perceptions that many large organizations will delegate contract negotiations to their procurement departments, 82% of respondents indicated that they personally negotiate terms and conditions with executive search firms.

When asked which fee structure they preferred, 64% indicated a fixed fee as opposed to 36% preferring a percentage based fee.

### ***Fulfilment of contract:***

Although a fundamental tenet of retained executive search is that the objective is to achieve a satisfactory appointment regardless of source of the candidate, only 54% agreed. On the contrary a significant proportion of respondents (46%) considered that the search is only complete if an external candidate has been presented.

Equally there was no consistent viewpoint on how long the search firm might be expected to stay engaged following the successful placement of a candidate.

12 months	37%
6 months	33%
3 months	25%

### ***Professional standards and the AESC:***

In order to gauge awareness about the AESC respondents were asked:

*Did you know that the AESC sets professional standards for retained executive search consulting and has more than 300 leading search firms worldwide as members?*

*Answer:*

Yes	49%
No	51%

To access the full survey data, please [click here](https://members.aesc.org/eweb/upload/AESC2011HRSurveyDataPublic.pdf), or paste the following URL in to your internet browser:  
<https://members.aesc.org/eweb/upload/AESC2011HRSurveyDataPublic.pdf>

## CONCLUSIONS

The results of the survey indicate some clear areas of concern but also should provide satisfaction that in its “sweet spot” at the higher end of the market retained executive search is not only relied upon almost exclusively, as compared with other forms of recruiting, to conduct the most challenging and important searches, but is also well regarded and provides satisfactory service.

A key area of concern is where there is an overlap with other forms of recruiting, especially in-house but also contingency, in the \$100-200,000 range. For many retained search firms this range of recruiting has provided some bread and butter revenue in the past but has also provided a training ground for new consultants.

Increasingly this work is hard to compete for on a cost and added value basis and search firms that attempt to do so will often be disappointed and dis-intermediated. In the terms of INSEAD’s definitions of red ocean and blue ocean strategies the lower end of the market is now highly competed for and is clearly red ocean. Retained firms operating at this level are in danger of being obliged to compromise on fees.

On the other hand, in the compensation ranges above \$200,000 there is more “blue ocean” available and it is here that not only is retained search more clearly recognized by clients in terms of its process and added value but also far more appreciated.

It is also at this level that the executive search profession again can claim its consulting role and attempt to move away from the perception of a single transaction service, even though in many instances this may be what the client thinks he wants. It is at this level that leadership consulting services become more relevant and where the relationships with the senior client management team can be more easily established and developed.

However, it is interesting to see that client education and persuasion to employ a high cost professional service is still necessary. Where clients have created their own executive search functions it is tempting for them to use cost per hire and other basic metrics against which most retained firms are unable to compete. However, subjective evaluation of the quality of hire, diversity, geographic reach etc can often leave the in-house function to be found wanting. Since retained search is about finding the exceptional or “out of the box” candidate who may well not be considering a move, then these different criteria must be vigorously marketed to the client and the paucity of the cheap alternative shown to be unsatisfactory for key hires.

The evolution of in-house search and the development of social media to facilitate candidate identification has clearly thrown a major challenge to retained search and one which still has not been responded to fully.

Search firms need to embrace these technological changes but still be able to point out to clients the added value of independent research and assessment and recruiting that fits within broader strategies of top management performance, diversity objectives, corporate culture etc.

The AESC’s 2011 survey highlights some of the high ground for retained search but also the swamps where firms can quickly become bogged down and be forced into survival tactics. For a high end professional service this is neither desirable nor commercially viable.

The lessons of this indicative sample of opinion are that for many firms there will be a need to reinforce core propositions, re-analyze market positioning and stand firm on standards and principles of performance.

The AESC will play its part in achieving this for the industry as a whole.

## ABOUT THE ASSOCIATION OF EXECUTIVE SEARCH CONSULTANTS

The Association of Executive Search Consultants (AESC) is the worldwide professional association for retained executive search consulting firms. The AESC promotes the highest professional standards in executive search through its industry recognized Code of Ethics and Professional Practice Guidelines. The AESC also serves to broaden public understanding of the executive search process and acts as an advocate for the interests of its member firms.

The AESC also provides BlueSteps.com, a career management service for senior executives, and CorporateConnect - at [www.executivesearchconnect.com](http://www.executivesearchconnect.com) - a service for Human Resources professionals offering search industry information and access to the AESC membership directory.

### AESC Seal of Quality

Only the top retained executive search firms in the world are members of the AESC and are accepted following a stringent approval process.

Membership in the Association is an endorsement of the best professional practices and indicates a commitment to helping the client receive the best value from executive search.

Visit us on the web at: [www.aesc.org](http://www.aesc.org)



**Association of Executive Search Consultants**

The Worldwide Association for Retained Executive Search Consulting Firms